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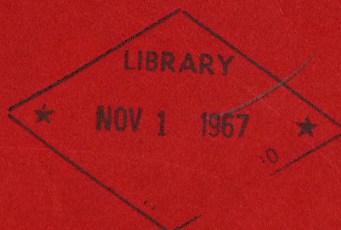
MEETING POVERTY



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The Nature of Poverty in Canada

D.R. Richmond



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THE NATURE OF POVERTY IN CANADA

D. R. Richmond

The War on Poverty


With the tabling of the White paper on Income and Employment in 1945, the Federal government committed itself to the principle of full employment. The Economic Council of Canada has restated this central economic proposition in terms of a high rate of economic growth, full employment, relative price stability and a viable balance of international payments.

It would be improper to assume that the economic objective of achieving a rate of growth sufficient to provide full employment has been the focal point of all government policy. Other social and political considerations have also entered into policy decisions. It has been recognized for many years that full employment will not solve all our problems and that various welfare measures are essential. To this end a variety of allowances, social insurance schemes and direct welfare payment programs have been adopted by government at all levels.

But it is not an exaggeration to argue that in the public mind, and in the minds of many public officials, the purely economic objectives have tended to receive priority. A body of opinion holds that policies designed to stimulate economic growth must always be put before policies designed to redistribute income. Adherents of the economic growth school concentrate on such aggregates as national levels of employment and unemployment, personal income per capita and other measures of economic wealth in the nation as a whole. Their major concern is with the state of the nation's economy within the business cycle.

In their fixation with these global figures of prosperity they tend to ignore such structural weaknesses as declining industries, depressed areas and the special problems of low-income groups. Policies geared to alleviate these symptoms are measured against the broader implications of their relationship to national economic objectives.

It should not be assumed that the advocates of economic growth fail to appreciate the validity of social objectives. The opposite is often the case. The problem is that the economic growth advocates ask themselves a different set of questions. They are troubled by "costs"; and they



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wonder "whether the economy can afford the program" or "what effect will this have on taxation". While these are legitimate questions, they are negative. They find it safer to assume that everyone will benefit from economic growth. The argument can then be taken one step further to show that social objectives can be achieved only through economic growth.

More recently, the empirical evidence on the persistence of poverty in our society has brought into question many of our economic assumptions. Inadequate housing, poor standards of health and education, the interaction between declining industries and depressed areas, and many other problems have become matters of public concern. Assumptions about the efficacy of our existing welfare programs as a means of redistributing national income have been tested and found wanting in family income studies conducted in Canada and in the United States. Finally, the studies done on the contribution of public investment in education and health services to economic growth have changed concepts of the nature of government's role in the growth process.

The relationship between economic and social objectives is now increasingly under review. Generally speaking, there is a growing recognition of the importance of social policies to the achievement of economic goals. In its second report, for example, the Economic Council of Canada stressed the key role of education in the realization of Canada's economic potential.

The awareness of the relationship between social objectives and economic goals, and the growing realization that economic growth has not alleviated mass poverty in the past twenty years, have forced policy planners to examine their assumptions and to develop new concepts of the role of government in society and, indeed, the institutional framework of our society.

It is obvious to even the most casual observer that poverty in Canada cannot be attacked effectively by any single program. The roots of poverty are many; the symptoms of poverty are varied. This complex problem needs a comprehensive mix of programs and policies. Co-ordination in the timing of implementation is necessary. Care must also be taken to prevent duplication of effort that can frustrate the work of dedicated people and dilute the effect of the programs themselves.

Thus the war on poverty attempts to focus attention on the goal of the eradication of poverty and to co-ordinate the programs of all agencies working towards this end.

The war on poverty cannot succeed if it implies only the introduction of a cumbersome administrative superstructure to effect the co-ordination of anti-poverty programs in Canada. While co-ordination is one objective, the war on poverty goes far beyond the problems of the creation of a co-ordinating mechanism.

The war on poverty is the expression of a fundamental right that is universally accepted in our society - equality of opportunity. It is predicated on the assumption that equality of opportunity cannot be realized in a socio-economic system in which large segments of the population are denied access to basic standards of housing, of education, of health services, of nutrition. It is founded on the belief that the culture of poverty puts opportunities beyond the reach of large segments of our population.

The war on poverty attempts to break down the barriers to social mobility and to make equality of opportunity a real and meaningful part of the life of every citizen of Canada. And, in so doing, it involves almost every department and agency of government, federal, provincial and municipal, as well as every member of the public both directly and indirectly.

While the war on poverty involves the redistribution of income, it is not solely welfare-oriented. The objective of the war on poverty is to integrate people now living in poverty into the mainstream of our economic and social system. As such it does not demand priority over national economic objectives. Rather, it is a part of the total effort of society to build a better future. The war on poverty only demands that public policy and private effort should take into account both the social and the economic objectives of our society.

Poverty - An Economic Definition

To this point, the assumption has been made that there is general agreement on the meaning of poverty. Unfortunately, this is not the case. Poverty exists. It can be seen, touched, smelt and heard; but it defies definition.

There are many ways to define poverty. One of the most obvious is the use of income data, and this approach has received considerable public attention in recent years. But there is always the problem of relating income levels to the immediate economic and social environment. Income levels are relative, and they must be considered in relation to the needs and desires of people.

In addition to the material manifestations of poverty, there are non-material aspects. The culture of the people concerned; their attitudes and motivations should also be taken into account. For the purpose of this paper, however, these questions will be left aside and the economic aspects of poverty will be stressed.

This does not mean that the non-material aspects are unimportant. They are. The lack of consistent information derived from competent studies limits our knowledge of the sociological and psychological manifestations of poverty.

The use of income data to define poverty has an advantage in that it allows for quantitative measurement. Thus there has developed in recent years the use of the concept of the "poverty line". This approach is based on the assumption that people whose income falls below an established level live in poverty. The obvious weakness of income criteria is that they assume a degree of precision that simply does not exist. The poverty line approach cannot take into account such factors as regional variations, income in kind, ownership of assets.

Another common approach is to identify poverty with certain groups in our society. Thus poverty is associated with Indians, the aged, large families, the physically or mentally handicapped, the urban slum dweller, the rural poor. The immediate objection to this approach is that it has no relevancy as a measure of the incidence of poverty. While there is often a correlation between social factors and poverty, it does not follow, for example, that everyone over 65 years of age is poor. A still more important objection to this approach is that it tends to focus attention on specific groups. Thus the plight of Indians or large families may distract public attention from the larger problem.

The physical environment is still another method of identifying poverty. Here attention is paid to housing conditions,

sanitary facilities, recreational facilities and all the other amenities of life. The problem is that the lack of facilities may, or may not, indicate poverty.

Finally, poverty has been defined in terms of unemployment or underemployment and these are capable of measurement. The weakness, of course, is that employment is simply another way of measuring income, and there is no correlation between employment and levels of income. Another problem with the use of employment data is that they focus attention on membership in the labour force as the chief method of distributing income. This can have serious repercussions on the development of public policies, particularly in the face of the possible impact of technological change.

Each of the above methods of defining poverty in economic terms is deficient. What is needed is a definition which can be used as an analytical tool to assess both the implications and the effectiveness of anti-poverty programs.

Of all the factors that can influence social change and can bring about social mobility, either up or down the scale, income is probably the most important. The majority of Canadians derive income from employment. For others, income is related to past savings. The final major source of income is government transfer payments.

If we ignore government transfer payments for the moment, it is clear that income is derived from present or past involvement in the productive processes of society. The degree of involvement or participation in the productive process therefore influences the level of income.

The degree of participation has both quantitative and qualitative connotations. Quantitatively it refers to participation in the labour force, (unemployment, underemployment or full employment of the individual) or the return on capital invested by the individual. Qualitatively, it refers to the type of employment (unskilled, skilled, technical, professional, etc.) which is in turn related to educational levels and other factors.

Finally, it is important to have a clear understanding of what is meant by the phrase productive process. It is used here to describe the process by which income is distributed in society without any direct intervention by government to redistribute income. Thus the productive process is more restrictive than the phrase, economic process, which takes into account the dispersion of income among all members of society including transfer payments.

Poverty, from the purely economic point of view, can be defined in terms of the degree of participation by the individual in the productive process. Those who participate in the productive process in terms of full employment or in terms of income on investment, enjoy relative affluence. Those who do not participate or who participate in a limited way, for whatever reason, live in poverty.

It is important to distinguish the concept of degree of participation in the productive process from the use of income to define poverty. The productive process is concerned not only with total income earned by an individual but also how that income is earned. For example, a poorly educated worker can earn a substantial income in an unskilled job. If, however, the job disappears, for any reason, his opportunities for alternative employment are limited. By concentrating solely on income data during employment, the potential skill handicaps would be ignored. But, by considering the degree of participation in the productive process, present income, type of employment, educational levels and skills are all taken into consideration. Similarly income data can disguise the true position of a family where transfer payments make up a considerable portion of the total family income.

Probably the most significant advantage in defining poverty in terms of the productive process is that it focuses attention on the nature of poverty. To appreciate the full cost of anti-poverty measures, and the true incidence of poverty today, government transfer payments should be considered separately. If, on the other hand, transfer payments are included in the assessment of family incomes, there may be a tendency to ignore significant numbers of people who are in a marginal status. If the transfer payments fail to reflect price increases, these people could well be caught in the trap of the culture of poverty. Finally by ignoring transfer payments, the problems associated with poverty generally and low incomes in particular can be brought into sharper focus.

There is also a danger in the group approach to the definition of poverty (i.e. all families with an income of less than \$3,000). This type of definition simply cannot take all factors into account. Poverty, like love and hate, is a personal matter. While general symptoms, such as poor housing, can be remedied by the adoption of general programs, poverty can not be eradicated by simply changing the physical environment in which people live or by adopting other general programs which deal with symptoms rather than causes.

Poverty - The Needs of People

The definition of poverty in terms of the degree of participation in the productive process suggests that the population can be divided into two groups. The first is composed of people whose degree of attachment to the productive process provides them with the resources necessary to satisfy their material and non-material needs. The second group is composed of those whose degree of attachment to the productive process is limited for any number of reasons, i.e. poor health, physical handicap, age, educational level, and who, therefore, do not have the resources necessary to satisfy their material and non-material needs.

In the first instance, it would simplify the discussion to think of the degree of attachment to the productive process in terms of employment. The attachment in terms of investment of past savings raises problems that can best be dealt with separately. We can, therefore, consider the two groups as made up of individuals or heads of families who are either fully employed or, alternatively unemployed, underemployed or unemployable.

This paper is concerned with those individuals or families who do not have access to the financial and other resources necessary to meet their needs. It would be a mistake to think of this social group as a homogeneous whole. It is made up of a diversity of people who have different needs, different attitudes and motivations, different social and cultural backgrounds and different physical and intellectual abilities. There is, however, a general distinction that can be made. Either the individual or the head of the family is capable of employment, or he is unemployable.

It is extremely important to keep these two groups in mind: in the development of public policies there is often the tendency to ignore one or the other. But they both suffer the same deprivations and have similar needs. The basic difference between the two is based primarily on their ability to engage in productive employment. This, in turn, is a determining factor in the nature of the programs and policies adopted by government to meet their needs.

As already stated, the idea of self-help is a basic tenet of the war on poverty. Thus when you consider the needs of people who are involved in the productive process, through sporadic employment, the usual response is to emphasize employment as a solution to the problem of poverty. Income assistance becomes a means to an end, and that end is to assist the individual to become self-supporting. It is to this end that education, training and manpower programs are directed. The underlying philosophy is that the individual can be made employable and can re-enter the mainstream of society through more effective participation in the productive process.

The difficulty with this position is that it underestimates the very real and crippling effects of the culture of poverty. The problem of reaching and motivating people is more complex than many people suppose. The adoption of better teaching methods will not overcome the communication gap with the poor.

To make the individual truly employable more consideration must be given to his attitudes and values. Unless there is an incentive to work, a positive desire to participate, training may not succeed. The problem of the education level of the poor must also be considered. Functional illiteracy is just as meaningful a handicap to employment as any physical handicap. The whole question of employability in terms of motivations, skills and basic educational levels is inter-related and requires that specialized programs be developed to meet the needs of individuals as individuals.

The next major area where action must be taken is to change the physical environment in which the poor live and to improve their standards of health and nutrition. These questions lead to general community action as well as specialized and personalized action designed to meet individual needs. For example, housing programs, urban renewal, effective community health clinics and other projects can be utilized on an area basis.

There is one other consideration that should be taken into account in the physical environment of the poor -- their location in relation to employment opportunities. To undertake an extensive low-rental housing program in an area where there is little chance of developing employment opportunities may well be an improper allocation of scarce resources. Similarly, the special problems of rural dwellers must be considered. These and related matters are amenable to general policies of economic development and/or manpower mobility created to meet the needs of specific geographical areas.

Anti-poverty measures instituted to help people help themselves by removing barriers to employment will have little effect unless there are employment opportunities available. Thus the whole question of economic development enters into the picture. This is, however, such a broad and pervasive problem that it is considered as a general question rather than in terms of an anti-poverty measure. This does not mean, however, that economic development of communities, regions, provinces and the nation as a whole is of no concern. Indeed, the opposite is the case. It is, however, more realistic to think of anti-poverty programs as operating parallel to economic development programs.

Anti-poverty measures should not cease with the achievement of the employment of an individual or family head. The problems may be different but the needs of people remain. Simply to assume that once a person finds a job he is capable of taking care of himself and his family is fallacious. It is at this point that social insurance becomes operative in the form of unemployment insurance, pension plans, workmen's compensation and others, all of which are tied to employment.

The adequacy of these measures to protect the income of the employee and his family is vital. These measures can be thought of as preventive medicine. They hold people in the labour market by providing income during periods of unemployment or they provide an adequate income when they leave the labour market. If they are not sufficient in terms of either income provided or coverage, they can create a situation where workers can slip back into poverty.

The same general argument can be used in dealing with the training and retraining components of manpower policy. The philosophy behind these programs assumes attachment to the labour force. If the trainee has an incentive to learn in order to increase his earning power, the concept of retraining is feasible. If, however, the trainee has no incentive to learn, because of his environmental background, the training program is useless. Thus, as in the case of the employed worker, a government policy is predicated on the concept of improving the relative position of people already engaged in the productive process, but doing little to involve those who exist on the fringes of the system.

Again, retraining is a preventive measure, albeit an essential measure in a period of technological change. To be truly effective, it must be broad enough in scope to meet the needs of people who have different motivations. It must be capable of enlisting people now considered hard-core welfare cases and help them to find rewarding employment. In other words, it must be an instrument of social rehabilitation.

One further note should be added here on the question of mental and physical rehabilitation. While there is general recognition of the need for government action, there is probably a greater need for the public in general to accept the handicapped person as a responsible and productive human being. This is one area where the motivation of the handicapped is thwarted by overweening kindness and sympathy. With regard to state programs of rehabilitation, on the other hand, there is a need for more research, more specialized assistance and a constant effort to keep away from the ghetto-like institutions where the handicapped can be put out of sight and out of mind.

Generally speaking the needs of the employable group are well understood. Self-help is an acceptable concept which most people will support. Thus anti-poverty programs with the objective of helping people to find employment would not generate any public animosity. The danger in all this is that we may lose sight of two key problems:

- 1) The need to supplement low-income families and individuals by using transfer payments.

- 2) The very real needs of people who are not employable.

To this point, the assumption has been made that employment is the key to success and the magic answer to poverty. Obviously this is not the case. Even among people who can find employment, this employment may not generate enough income to provide the individual or the family with sufficient income to enjoy any acceptable standard of living. Thus, the mere fact that the objective of the anti-poverty measures is self-help does not mean that we can ignore the very real need to effect a redistribution of income to supplement low-income groups.

This is, of course, particularly true of those people who are unemployable. Here we are dealing with retired people who either have a small income derived from past savings or who rely entirely on old age security and welfare assistance. We are also concerned with the young, with families, with the handicapped and with others who are unable to find employment for a variety of reasons.

The obvious problem is lack of income. And the only way that these people can receive an adequate income is to provide funds from either private charity or public welfare. Since we can rule out private charity as a major source of income for the unemployable in our society, public assistance remains their only hope.

But, income is not the complete solution to the problems of the unemployable. They have the same requirements for health services and a reasonable environment as all other groups in society. Again, however, these problems can be dealt with by general policies of urban redevelopment and other programs. Education for the young and rehabilitation for the handicapped are of particular importance and there is need for specialized programs.

Another consideration that must be taken into account when dealing with the unemployable is the maintenance of their dignity as human beings. To become simply a welfare worker's case is not a very promising outlook on life. Hopefully, public welfare would not be given or received in a charitable sense but rather as a right. We have moved a long way from the work house. It is now time to take the last step.

In the discussion of anti-poverty programs the final rationale of the war on poverty as a method of redistributing incomes should never be forgotten. By trying to hide objectives behind a smoke-screen of self-help projects will only lead to public misunderstanding. Retraining, social security, special educational methods and other techniques are valid anti-poverty measures. But, the key to the problem of poverty remains the level of income of the individual or the family. All the best intentions will fail if the people living in poverty cannot obtain a level of income, either through employment or transfer payments, to satisfy their needs as Canadian citizens.

Poverty - The Role of Government

The preceding section dealing with the needs of people focused attention on the basic problem of the redistribution of income in our society. The underlying thesis of this paper is that the distribution of income depends primarily on the degree of attachment to the productive process. The weaker the degree of attachment (generally because of unemployment or underemployment), the smaller the share of national income that accrues to the individual or family. This problem has been recognized and is the basis for social insurance measures and welfare payments. The positive action of government to redistribute income, however, has been ineffective in terms of the eradication of poverty. Thus, the role of government in the process of redistribution of income must be reassessed.

The proposition that government should play a more active role in the redistribution of income is fraught with difficulties. It goes beyond the question of political opinions and involves the basic beliefs of the majority of people in our society. As long as the protestant ethic of the value and dignity of work is a basic motivating force, the whole concept of redistribution of income is questioned. Therefore, to understand the role of government in the war on poverty, certain basic assumptions about the role of government in our society must be considered in the light of economic precepts.

Economic theorists have only now begun to appreciate the influence of the physical and social infrastructure provided by government. Advocates of laissez-faire argued that government should act as the policeman and provide only

essential public works that could not be built and operated by private enterprise. This view of the limited role of government was never achieved in practice, but was nevertheless a guiding principle of government action and public belief.

Today, governments are called upon to provide a much broader system of economic and social services. In the first instance, stress was placed on public works such as highways, power, and the whole range of municipal services. In our urban industrial society, the contribution of these government services to economic growth is no longer questioned. Similarly, public expenditures on social goals such as education and health have received a growing acceptance as vital determinents of economic growth. We have begun to accept government intervention as a necessary element in the dynamic process of economic growth and social change.

But, in this transformation, there has been a lag in the degree of acceptance of the necessary cost of these services. The electorate demands more and more services from government and, at the same time, is reluctant to accept the consequences. The steady increase in the public sector's share of our national income is decried as a danger to our way of life.

The economic theorists are partly responsible for this apparent contradiction. To a large extent, economic theory has been devoted to a discussion of the distribution of the fruits of rising productivity between the various factors of production. Analysis has tended to concentrate on the division of wealth between labour and capital. The contribution of the social infrastructure, whether public or private, has been virtually ignored.

While the professional economist accepts the limitations of abstract theoretical analysis in terms of the real world, the general public has failed to understand the implication of government's role in the economy. To the lay mind, taxation is considered an imposition by government rather than a payment for services rendered.

Consider, for example, the type of argument that is used to criticize the corporation income tax. There is no attempt made to relate the tax to the cost of the infrastructure upon which business and profits are based.

There is a tendency to consider them as independent phenomena because there is no obvious relationship between specific taxes and the provision of specific services.

This problem is accentuated by the very nature of our federal system. There is absolutely no relationship between the taxes collected by the level of government and the services provided by that level of government. To the average citizen, the municipal government provides the bulk of the government services he uses. Yet the property tax he pays does not generate enough money to pay for these services. The ability of the municipality to provide these services depends upon a complex system of inter-governmental transfer payments. Thus the relationship between services rendered and the cost of these services is disguised. The same problem occurs when you consider the services provided by the senior levels of government and the taxes paid to these governments.

The existence of these problems makes it even more important that the changing role of government in a dynamic society be understood by the general public. This is particularly true in the development and implementation of anti-poverty measures. It is incumbent upon government, at all levels, to demonstrate the need for services on both economic and social grounds.

This does not justify, however, the role of government in the war on poverty. It cannot be assumed that the war on poverty is a valid use of public funds nor can every program instituted be justified because it is part of the war on poverty.

Basically, the role of government is to provide services to meet the needs of the whole population. The three basic criteria against which government policy must be measured are therefore:

- a) Universality of coverage.
- b) Cost of service provided.
- c) Continuity of programs.

In the first case, programs which can be applied on a broad basis either geographically or in terms of whole classes or groups of people will generally be carried out more

effectively by government. This is true in terms of social insurance programs, housing programs, health care programs, etc. In the second case, the budgetary limitations of non-governmental agencies must be considered. When the programs involve the expenditures of large sums of money, it is more equitable to share the burden over the whole population by using tax revenues. Finally, the question of continuity is vital. Programs that will require continuing administration for long periods should be handled by government.

Government programs should also be tested against two other requirements. They should conform to the general objective of government in terms of both social and economic considerations. As has been noted, the basic social objective of the war on poverty is to establish conditions in which equality of opportunity can be realized. From the economic point of view, the programs adopted should be designed to assist in the realization of our economic objectives.

It should also be emphasized that anti-poverty programs represent an investment in human resources. This is potentially the most productive investment in the future that a society or a country can make. To use economic arguments in order to justify the limitation or investment in human resources through the war on poverty is self-defeating. We cannot afford not to make this investment.

Conclusion

This paper has argued that the war on poverty is an expression of the desire on the part of the people of Canada to realize the concept of equality of opportunity for all Canadians. It contends that this social objective can be realized only if we can break down barriers to social mobility. The social and economic framework must give the individual the opportunity to participate in the productive process. When an individual's ability to participate effectively in the productive process is limited for reasons beyond his control, the state has a responsibility to provide both the individual and his dependents with a standard of living conversant with his needs.

The paper deals primarily with poverty in its economic setting. It should never be forgotten that the economic barriers to social mobility form only part of the

problem of poverty. At the same time, however, it is abundantly clear that these economic barriers exist. They can be broken and public policy as well as private effort should be directed at removing them.

The problem of poverty must also be put into perspective. Poverty is the by-product of social change. Every advance in technology, every change in our economic and political structure is reflected by changes in our social institutions. If history has taught us anything, it has taught us that these changes are not always benevolent. People are involved, and human misery and suffering is often the result of social change. Poverty must be considered within this broader context.

The war on poverty therefore represents the response of society to the real needs of those groups within society who are adversely affected by social change. It must, if it is to be effective, harness the energies of everyone in order to reduce human suffering to a minimum and to ensure that every member of society has the opportunity to exercise his talents and abilities to the fullest extent.

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